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SOVIETS PLANNING BOOST IN OIL PRICES

Soviet planners are considering an increase in prices for oil delivered to CEMA (Council for Mutual Economic Assistance) countries during 1976-80. A responsible Soviet economist told a US Embassy official in Moscow that no decision had yet been reached, but an increase of at least 25% over ruble prices charged during 1971-75 was likely. The actual increase probably will be larger as world oil prices have quadrupled since early 1973, and the Soviets will be unwilling to offer such a large concession to their East European trading partners. The average f.o.b. price of Soviet oil exported to Eastern Europe during 1971-73 was about \$2.60 per barrel. If Soviet exports of oil average 1.3 million b/d during 1976-80 as expected -- 20% more than in 1973 -- Eastern Europe's import bill will be \$1.8 billion annually (1.3 billion rubles) assuming the Soviets increase prices by 25%. If prices increase to world market levels, Eastern Europe's oil import bill will total more than \$7 billion. (~~Confidential~~)

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